

Tax Practitioner Guidelines for Computer-Prepared Returns

Introduction

The Franchise Tax Board (FTB) has established these guidelines for tax practitioners who use personal computers (or service bureaus) to computer-prepare the following personal income tax returns filed on paper:

- Form 540, California Resident Income Tax Return;
- Form 540A, California Resident Income Tax Return;
- Form 540-ES, Estimated Tax for Individuals;
- Form 540 2EZ, California Resident Income Tax Return;
- Form 540NR, California Nonresident or Part-Year Resident Income Tax Return;
- Form 540X, Amended Individual Income Tax Return;
- Form 541-ES, Estimated Tax for Fiduciaries;
- Form FTB 3519, Payment Voucher for Automatic Extension for Individuals;
- Form FTB 3563, Payment Voucher for Automatic Extension for Fiduciaries; and
- Form FTB 3582, Payment Voucher for Electronically Transmitted Returns.

Note: Form 540EZ is obsolete.

This publication also provides information on:

- Filing Business Entity Returns, including paperless Schedules K-1 (565). See page 4.
- e-file Program. See page 4

If you manually prepare your clients' returns, you **must** use the official form as printed and distributed by the FTB or an FTB approved substitute version.

By following these guidelines, you will help reduce delays in processing and get your clients' refunds to them faster.

As a tax practitioner you do not need approval by the FTB to computer-prepare your clients' returns. However, make sure that the tax software or service bureau you use produces FTB-approved forms. Ask your software provider for a copy of its FTB-approval letter for the form(s) in which you are interested.

To ensure that you receive software updates and other information necessary to produce FTB-approved forms, register with your software provider, as necessary, upon receiving the product.

General Information About Scannable Form 540 and Form 540A

(A graphic of these forms is shown on page 6.)

The FTB will use its automated processing systems to scan "lift" information from these tax returns, rather than having the information entered manually by key data operators.

The computer-prepared Forms 540 and 540A you print **must** have the scannable graphic patch located in the center top margin of Side 1. The patch identifies Side 1 of a taxpayer's return as it enters the automated system.

Forms 540 and 540A **must** have a scannable band area that **must** contain the taxpayer's tax data. On Form 540, the "scanband" directly follows the "Step 1 Name and Address" area. On Form 540A, the scanband is at the bottom of Side 1. The two-digit field numbers in the scanband area correspond to the line numbers in the conventional areas of Forms 540 and 540A. Even though the tax data will print in the scanband and the conventional area of the form, only the tax data in the scanband will be "lifted." Monetary amounts in the scanband **must** be whole dollars only without decimal points or other punctuation. The rest of the scannable form is exactly like the official form.

Exceptions: Line 12a will print as line 12 and line 13g will print as line 13 in the scanband on scannable Form 540A.

In addition to data capturing the tax practitioner's ID number (federal employer identification number (FEIN) and/or tax preparer ID number (PTIN)) on electronically filed returns, the FTB will data capture these numbers on all imaged (and manually processed) returns.

What is Needed to Computer-Prepare California Tax Forms

Tax practitioners may produce returns using:

- Software that produces FTB-approved forms;

- Personal computer hardware required by the software to produce FTB-approved forms (i.e., font cartridges, etc);
- Good quality, white, standard, stock machine paper (8 1/2 x 11 at minimum 20 lb weight);
- Black ink;
- Software user manuals that include instructions for correctly producing FTB-approved forms; and
- FTB-approved overlay, if needed. See the explanation of the correct use of overlays on page 3.

Please read your software provider's user manual (and ALL "Read Me's", etc.) to make sure you have the necessary hardware and printer fonts to correctly produce FTB-approved forms. **Note:** "READ ME's" are a great resource tool to learn about enhancements or revisions made to the software you use.

All printing must be:

- Laser, ink jet, or "letter quality" dot matrix;
- Courier 12 point, standard OCR-A font, or standard print font (no bold font);
- Alpha characters must be in upper case;
- Original printed output (no corrections or photocopies accepted); and
- On one side of the paper only.

Guidelines on How to Enter Taxpayer Entity Information on Computer-Prepared Personal Income Tax Forms

Taxpayer entity information is arranged in fixed positions with defined field lengths. Each field is dedicated to hold specific information such as:

- Spouse name;
- Executor/guardian name;
- Apartment and apartment number (or letter);
- Private mailbox (for the "PMB" to print) and PMB number (or letter); and
- Deceased date of taxpayer or taxpayer's spouse, if any.

It is critical that you enter the taxpayer entity information correctly. This will help the FTB to accurately process your clients' returns, and help ensure that your clients' refund checks are printed with the correct name(s) and address. Your clients' entity information should print like the examples shown under "Taxpayer Entity Information Examples" on page 2.

Note: FTB encourages the use of the PMB no. field; however, the FTB realizes that not all of your clients will choose to use this field.

Two Asterisks (**) in the Entity

Two asterisks (**) in the taxpayer entity area indicate to the FTB that certain taxpayer information is **UNCHANGED** from last year. Print two asterisks **ONLY** if the taxpayer (and taxpayer's spouse, if any):

- Filed a California Form 540, 540A, 540EZ, 540 2EZ, or 540NR tax return last year;
- Did **not** change the address from the one shown on last year's tax return;
- Has the same social security number (SSN) as last year;
- Has the same name (first, middle, and last) as last year;
- Has the same filing status as last year; and
- Is not deceased.

Otherwise, **do not** print the asterisks.

Taxpayer Name and Address Entry Instructions

Use these instructions when you enter your client's name and address information. It will help reduce FTB processing time and help ensure that refunds are mailed to the correct name(s) and address.

- Alpha characters must be in upper case.
- Use no punctuation or symbols. **Note:** If a fraction is part of the street address, enter a forward facing slash (/). **Note:** This symbol is the **only** one you may use in the taxpayer address area.
- Do not use commas or periods to separate information.
- **Never** space or use punctuation in the taxpayer's name control field. (The name control is the first four letters of the taxpayer's last name. The name control follows the taxpayer's SSN.) **Note:** Form 541-ES and form FTB 3563: Name control is the first four letters of the estate or trust's proper name and follows the estate's or trust's FEIN.

Example: McPeak Enter: MCPE
O'Toole Enter: OTOO
De Martino Enter: DEMA
Lee Enter: LEE
Lee-Smith Enter: LEES

- Do not include titles or ranks such as: DR, MD, ENSIGN, SGT, etc.
- Use Roman numerals (alpha characters) for numeric suffixes.
- Never space within the name field(s) except for JR, SR, II, etc.

Example of first name: Jo Anne Enter as: JOANNE
Example of last name: Von Wodtke Enter as: VONWODTKE
Example of last name: Lee-Smith Enter as: LEESMITH

- The SSN must be 11 digits (includes "-"). Enter "000-00-0000" in the SSN field if an individual has applied for or does not have an SSN.
Note: Form 541-ES and form FTB 3563: The FEIN must be 10 digits (includes "-").

- Use the standard abbreviations listed to the right for the suffix of the street name.

- **Do not** enter the abbreviation for apartment (APT) or the apartment number or letter in the street address field. Enter these items in the designated "apartment" and "apartment number" fields that directly follow the street address field. **Note:** Also use the "apartment" field for these abbreviations: STE, RM, FL, SP, BLDG, and UN. **Never** use the pound sign (#) to precede the number or letter.

See *Taxpayer Entity Information Example*: IMA REFUND or JACOB H HARLEY and CHRISTINE S BLAKE shown below.

- Enter Private mailbox information in the designated "PMB" and "PMB number or letter" fields. These fields directly follow the "apartment number" filed.

See *Taxpayer Entity Information Example*: GRACE ALEXANDER shown below.

- The additional address field is for supplemental address information. Use it to enter **only** "In care of" name(s) or "additional address information."

- Military "APO" or "FPO" addresses:
 - Enter "APO" or "FPO" in the first three positions of the city field;
 - **Do not** enter the name of the city for "APO" and "FPO" addresses;
 - **Enter the two-digit state code in the state field:**

City Field	State Code	ZIP Code Range
APO	AA	34000-34099
APO	AE	09000-09999
FPO	AP	96200-96699 and 98700

See *Taxpayer Entity Information Example*: JAMIE L MISSION shown below.

- In the state field, use the standard two-digit abbreviation for the state or United States possessions listed to the right.
- If the address is a foreign address, enter the country name beginning in the state field.
- The ZIP code may be 10 digits (including "-").
- If after applying these guidelines the information exceeds the field length, truncate the information from the right.

Taxpayer Entity Information Examples:

Note: If there is no spouse name, leave that line blank. If there is no additional address or executor/guardian name, leave that line blank.

111-11-1111 JAMIE	MISS ** L MISSION	00	111-11-1111 JACOB H HARLEY	222-22-2222 CHRISTINE S BLAKE	00
PO BOX 888 APO	AP 96558		9876 LONGNAME WY WALLACE	APT 1 CA 12345-6789	

111-11-1111 JORDAN MELISSA	TAXP ** Q TAXPAYER S TAXPAYER	222-22-2222 00	111-11-1111 SMIT ERIK	T SMITH	00
12345 SHORT ST ANYPLACE	CA 12345		HOMESTYLE NURSING HOME 3452 BUSY DR BORDERTOWN	CA 12345	

111-11-1111 IMA	REFU REFUND	00 (DECD 12-10-00)	AUSTIN JOSEPH UN 5
1234 BEAUTIFUL DR WELCOME	CA 54321-4334		

38-3897821 ROBERT JEFFREY	SMIT L SMITH A JONES	00	TRUST TRUSTEE
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7321 PARK PL ANYTOWN	CA 59321-8420
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111-11-1111 GRACE	ALEX ALEXANDER	00
9223 HAPPY AV VALLEY	CA 12345-6789	PMB 14

Standard Abbreviations

AIR FORCE BASE	AFB	PARKWAY	PKY
APARTMENT	APT	PLACE	PL
AVENUE	AV	PLAZA	PLZ
BOULEVARD	BL	POINT	PT
BUILDING	BLDG	POST OFFICE BOX	PO BX
CAUSEWAY	CSWY	ROAD	RD
CENTER	CTR	ROOM	RM
CIRCLE	CIR	SAN/SANTO	SN
COURT	CT	SOUTH *	S
CROSSING	XING	SOUTHEAST *	SE
DEPARTMENT	DEPT	SOUTHWEST *	SW
DRIVE	DR	SPACE	SP
EAST *	E	SQUARE	SQ
EXPRESSWAY	EXPY	STREET	ST
FLOOR	FL	SUITE	STE
FREEWAY	FWY	TERRACE	TER
HIGHWAY	HWY	TRACK	TRAK
LANE	LN	UNIT	UN
LOOP	LP	WALK	WK
NORTH *	N	WALKWAY	WKWY
NORTHEAST *	NE	WAY	WY
NORTHWEST *	NW	WEST *	W
NUMBER	No abbreviation		

Never use mixed upper/lower case or # symbol.

*Abbreviate only when used as a direction.

State and U.S. Possessions Abbreviations

Alabama	AL	Montana	MT
Alaska	AK	Nebraska	NE
American Samoa	AS	Nevada	NV
Arizona	AZ	New Hampshire	NH
Arkansas	AR	New Jersey	NJ
California	CA	New Mexico	NM
Colorado	CO	New York	NY
Connecticut	CT	North Carolina	NC
Delaware	DE	North Dakota	ND
Dist Columbia	DC	Northern Mariana Islands	MP
Federated States of Micronesia	FM	Ohio	OH
Florida	FL	Oklahoma	OK
Georgia	GA	Oregon	OR
Guam	GU	Palau	PW
Hawaii	HI	Pennsylvania	PA
Idaho	ID	Puerto Rico	PR
Illinois	IL	Rhode Island	RI
Indiana	IN	South Carolina	SC
Iowa	IA	South Dakota	SD
Kansas	KS	Tennessee	TN
Kentucky	KY	Texas	TX
Louisiana	LA	Utah	UT
Maine	ME	Vermont	VT
Marshall Islands	MH	Virgin Islands	VI
Maryland	MD	Virginia	VA
Massachusetts	MA	Washington	WA
Michigan	MI	West Virginia	WV
Minnesota	MN	Wisconsin	WI
Mississippi	MS	Wyoming	WY
Missouri	MO		

Miscellaneous Information

Tax Preparer ID Number (PTIN)

Tax preparers have the option of using their PTIN instead of their social security number when signing tax returns for their clients.

Direct Deposit of Refund (DDR)

DDR is available to your clients who file their personal income tax return electronically or on paper. When your clients select this option, be sure to complete **ALL three** fields in the "Direct Deposit or Refund" area found on Side 2 of all personal income tax returns.

Pay Your Taxes by Credit Card

Your clients may use their Discover/NOVUS, MasterCard, or American Express card to pay their personal income taxes, including estimated tax. For more information about fees, etc., call (800) 272-9829, or visit the website: www.officialpaymentscorp.com

What are Keying Symbols?

Keying symbols are important. And although FTB will process most personal income tax returns through its automated systems, there are times when certain returns require manual intervention by FTB's Key Data Operators.

Keying symbols are shown on all computer-prepared tax returns, including the conventional parts of scannable forms. They will print to the left of specified tax data line numbers. They reduce time and guide key data operators to enter the correct tax return information.

Exact placement, shape, and size of keying symbols that will be present on the 2000 personal income tax returns is shown below in the snapshot of a 2000 Form 540.

Note: Before you give your clients' their returns to file, please verify that these symbols are present. If they are not present, please read your user's manual and make sure you have the minimum hardware and printer fonts necessary to print FTB-approved forms. If you cannot determine why the keying symbols do not print correctly, contact your software providers technical support staff.

nd amount .	▶ 29	_____
.....	● 30	_____
.....	● 31	_____
.....		33 _____
.....		34 _____
.....	● 35	_____
.....	● 36	_____
.....	● 37	_____
.....	■ 38	_____
.....	■ 39	_____

Dot Matrix Text Mode Forms

For filing purposes, the FTB does **not** accept ANY dot matrix text mode California tax forms and schedules because they do not contain the keying symbols and other required graphics necessary for processing.

You should see a "DO NOT FILE THIS FORM" message on the form(s). If the software you use does not provide the use of an overlay (or other FTB-approved substitute form), you must transfer all information from the dot matrix text mode form to an official form. Go to FTB's Website at: www.ftb.ca.gov for the official form you need.

Fiscal Year Filers

If any of your clients file their personal income tax return on a fiscal year basis, make sure that the tax software you use accommodates their needs. Not all tax software products support fiscal year filing personal income taxpayers. As a result, you may need to complete the tax returns for your fiscal year clients manually.

Always remember to enter the fiscal year date as the filing date for your fiscal year clients. Otherwise, FTB will process the tax return as a calendar year return. When this happens, the return most likely will appear to be delinquent in some way. As a result, your clients could receive a delinquent or late payment of tax penalty or an underpayment of estimated tax penalty and may be assessed interest.

Contact your software provider if you are uncertain as to whether or not the tax software you use supports fiscal year filing.

Prior Year and Amended Returns

Do not use 2000 software to file a prior year tax return.

Amend personal income tax Forms 540, 540A, 540EZ, 540 2EZ, and 540NR by completing Form 540X, Amended Individual Income Tax Return. **Note:** When amending Form 540NR, you must also attach a revised Form 540NR to Form 540X.

Amend corporate income tax Forms 100, 100S, and 100W by completing Form 100X, Amended Corporation Franchise or Income Tax Return.

Form FTB 3595, Special Handling Required

If your clients' Form 540, 540A, 540 2EZ, 540NR, or 541 includes any of the special circumstances shown below, check the appropriate item(s) and staple form FTB 3595 to Side 1 in the upper-left hand corner.

- Underpayment of Estimated Tax by Farmers and Fishermen (FTB 5805F);
- Underpayment of Estimated Tax by Individuals and Fiduciaries (FTB 5805);
- Deceased taxpayer or spouse;
- Taxpayer out of country on original due date of tax return;
- Military Out of Country — Service in a Combat Zone;
- Disaster; and
- Form 540X filed in response to notice of proposed assessment.

Note: Attach special handling forms FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries or FTB 5805F, Underpayment of Estimated Tax by Farmers and Fishermen, to the front of Side 1 in the upper-left hand corner.

Correct Use of Overlays

If you must use an overlay, please use these tips. They will help to reduce processing delays.

- Make sure the glass on the photocopier you use is free from any obstructions. (e.g., smudges, smears, and dust).
- Make sure the overlay you use is also free from any obstructions.
- Use the grid marks (small box(es) or other distinguishing symbol) to ensure correct placement of your clients' entity information and scanband data. **Note:** The location of the grid marks may differ on each software provider's product.
- Upon completion, make sure that your clients' tax returns are clear and straight on the paper. If not, make another copy.

FTB Taxpayer Signature and Authentication Policy

The FTB's policy is to ensure proper authentication of the information provided to us by taxpayers. The level of authentication needed on specific documents depends on several factors, including how the FTB uses the information. To help you determine whether or not the FTB will accept photocopies or facsimiles of a taxpayer's signature(s), the FTB has categorized the level of signature authentication required into three groups. The category and its number (c1, c2, or c3) will print after the form number in the bottom margin on each form. The three categories are:

Category 1 (c1) Original authentication required; facsimiles acceptable only if original is subsequently provided.

Category 2 (c2) Copy of signature is sufficient proof that original was signed; photocopy or facsimile is acceptable.

Category 3 (c3) No authentication required.

Where To Get Income Tax Forms By Internet

Go to FTB's Website at: www.ftb.ca.gov.

Additional Credit Names, Codes, and Acronym Names

The tax software you use should include the credit acronym and code number for each additional credit shown below. See *Claiming Additional Credits on Personal and Business Entity Tax Returns (Forms 100, 100S, 100W, 540, and 540NR)* for more information.

*PIT = Personal Income Tax

*B&C = Bank and Corporation Tax

Credit Name	Code	Acronym	PIT*	B&C*
Child Adoption	197	CHILD ADOPT	X	
Child and Dependent Care (Refundable)	NONE	NONE	X	
Community Development Financial Institution Deposits	209	CDFI DEPOSIT	X	X
Dependent Parent	173	DEP PARENT	X	
Disabled Access for Eligible Small Businesses	205	DSABL ACCESS	X	X
Donated Agricultural Products				
Transportation	204	DONATE AGTRN	X	X
Employer Child Care Contribution	190	CHLDCARE CTR	X	X
Employer Child Care Program	189	CHLDCARE PRG	X	X
Enhanced Oil Recovery	203	ENHNC OILREC	X	X
Enterprise Zone Employee	169	E/Z EMPL	X	

Enterprise Zone Hiring & Sales or Use Tax	176	E/Z HIRE/USE	X	X
Farmworker Housing New Construction/Rehabilitation	207	F/W HS CONST		X
New Construction/Rehabilitation Loans	208	F/W HS LOAN		X
Joint Custody Head of Household	170	JT CSTDY HOH	X	
Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales or Use Tax	198	LAMBRA HR/US	X	X
Long-Term Care Credit	214	LONGTERM	X	
Low-Income Housing	172	LOW-INC HOUS	X	X
Manufacturers' Investment	199	MFG INVSTMT	X	X
Manufacturers' Enhancement Area (MEA) Hiring	211	MEA HIRE	X	X
Natural Heritage Preservation Tax Credit	213	HERITAGE	X	X
Nonrefundable Renter's	NONE	NONE	X	
Other State Tax	187	OTHER STATE	X	
Prior Year Alternative Minimum Tax	188	PRIOR YR AMT	X	X
Prison Inmate Labor	162	INMATE LABOR	X	X
Research	183	RESEARCH	X	X
Rice Straw	206	RICE STRAW	X	X
Senior Head of Household	163	SR HOH	X	
Targeted Tax Area (TTA) Hiring & Sales or Use Tax	210	TTA HIRE/USE	X	X
Teacher Retention Tax Credit	212	TEACHER	X	

Repealed Credits with Carryover Provisions

	<u>Code</u>	<u>Acronym</u>	<u>PIT* B&C*</u>	
Agricultural Products	175	AGRI PRODUCT	X	X
Commercial Solar Electric System	196	COMSLR EL CO	X	X
Commercial Solar Energy Credit	181	COM SLR NRG	X	X
Contribution of Computer Software	202	CTB COMPSOFT		X
Employee Ridesharing: Employee Vanpool Program	194	R/S EMPL VN	X	
Employer Ridesharing: Large Employer Program	191	R/S LG EMPLR	X	X
Small Employer Program	192	R/S SM EMPL	X	X
Employer Subsidized Public Transit Passes	193	R/S TRANSIT	X	X
Energy Conservation	182	NRG CSRV CO	X	X
Los Angeles Revitalization Zone Hiring & Sales or Use Tax Credit	159	LARZ HRE/USE	X	X
Low-Emission Vehicles	160	LOW-EMS VHCL	X	X
Orphan Drug	185	ORPHN DRG CO	X	X
Political Contributions	184	POLTCL CTB	X	
Recycling Equipment	174	RCYCL EQUIP	X	X
Residential Rental & Farms Sales	186	RES RNT/FARM	X	
Ridesharing	171	R/S CO	X	X
Salmon & Steelhead Trout Habitat Restoration	200	SALMON/TROUT	X	X
Solar Energy	180	SLR NRG CO	X	X

Solar Pump	179	SLR PUMP CO	X	X
Technological Property Contribution	201	TECHPROP CTB		X
Water Conservation	178	WATRCRSV CO	X	
Young Infant	161	YNG INFNT CO	X	

Additional Credits

Field numbers 28 and 29 in the scanband on Form 540 are where your clients' additional credit amounts, if any, print. The additional credit amount **must** be preceded by the appropriate three-digit numeric code.

Additional Credit Example

Dependent Parent Credit (code 173) of \$20 in field number 28. The scanband on Form 540 will look like this:

28 17320

For more information, refer to "Additional Credit Line 28 and Line 29" on page 7.

Claiming Additional Credits on Personal and Business Entity Tax Returns (Forms 100, 100S, 100W, 540, and 540NR)

When your clients claim additional credits, the credit acronym, code number, and amount should print on the applicable lines of Forms 100, 100S, 100W, 540, and 540NR.

When a client claims credits on Schedule P (100, 100W, 540, or 540NR) and the credits are listed in more than one section, your tax software should total column (b) of the credits that have the same code numbers and bring the total forward to the applicable line of the tax return being filed.

If your client has any other credits to claim on Schedule P (100, 100W, 540, or 540NR), the tax software should add the amounts from column (b) for those credits and bring the total forward to the applicable line of the tax return being filed.

FTB's e-file Program

Approximately 10,000 tax professionals have been approved by FTB and IRS to provide e-filing services to the 3 million California taxpayers expected to e-file during the 2001 filing season. Major e-file benefits include:

- Direct Deposit of Refund – Your client can have a refund deposited directly into their bank account in 5 to 7 banking days after the return is filed.
- Electronic Debit – Your client can request withdrawal of an amount due on the date they select.
- Acknowledgement – You will receive acknowledgement to confirm that the IRS and the FTB received your clients' returns.

FTB's e-file program has seen double-digit growth over the last several years due to efforts intended to increase the supply of e-file services and the demand for those services. On the supply side, FTB produces over 70 joint IRS/FTB workshops and seminars throughout California for tax professionals interested in becoming approved electronic return originators (EROs). On the demand side, FTB markets the benefits of e-filing directly to taxpayers with messages in tax booklets, on the radio, on the Internet, via press releases, etc.

To join FTB's e-file Program

Step 1 – Submit an application, Form 8633, to the IRS. Get the application on their Website at www.irs.treas.gov/elec_svs

Step 2 – Once IRS approves your application, submit an application, form FTB 8633, to the FTB. Get the application on our Website at: www.ftb.ca.gov/elecserv

Step 3 – You must pass FTB's suitability check:

- All business entities must be valid and licensed.
- All your personal and/or business tax returns must be filed on time.
- All your liabilities must be paid and/or current.

To find out more about the e-file Program:

- Visit our Website at: www.ftb.ca.gov/elecserv
- E-Mail your inquiries to: e-file@ftb.ca.gov
- Call the e-file Help Disk: (916) 845-0353, Monday – Friday, 8 a.m. – 5 p.m.

Filing Business Entity Returns

To ensure accurate and timely processing of your clients' business entity returns that require Schedules K-1 (100S, 541, 565, or 568), use software that produces FTB-approved schedules. Make sure the substitute forms you use meet the FTB's requirements. Specifically, Schedules K-1 (565) filed with incomplete information may cause the FTB to contact the partnership for more information or to return the Schedules K-1 to the partnership. Either of these circumstances may subject the partnership to penalties. **Reminder**, do not file:

- K-1 data on microfiche;
- Federal K-1 schedules;
- Data base print out information; or
- Abbreviated schedules.

California Encourages Tax Preparers to File Paperless Schedules K-1 (565)

For the highest rate of accuracy and rapid processing of your clients' partnership return (Form 565, Partnership Return of Income), file the Schedules K-1 (565) on magnetic media (CD, diskette, cartridge, or magnetic tape) and mail in the Form 565. Use software that produces FTB-approved paperless (magnetic media) formatting or contact a professional who can format them for you.

If you want to produce Schedules K-1 (565) on magnetic media, visit our Website to get FTB Pub. 1062, Guide for Filing Paperless Schedules K-1 (565), and K-1 (565) TestWare.

Compliance with Partnership Filing Requirements for Paperless Schedules K-1 (565)

Before you submit your clients' paperless Schedules K-1 (565), please verify that you have completed the procedures shown below. This will help ensure error-free files and timely processing. **Do not** mail or attach federal or California paper Schedules K-1 (565) to Form 565 when you file your clients' Schedules K-1 (565) via magnetic media.

- Schedules K-1 (565) have been formatted and put on magnetic media for each person identified on Form 565, Side 2, Question J.
- All fields on the Schedule K-1 (565) are formatted and completed as described in FTB Pub. 1062, Guide for Filing Paperless Schedules K-1 (565).
- The paperless Schedules K-1 reconcile to Form 565, Schedule K.
- Schedules K-1 (565) formatted on CD or diskette have been pre-tested with the FTB's K-1 (565) TestWare. (**Note:** If the Schedules K-1 (565) have been formatted to a cartridge or magnetic tape, a test file must be submitted first to ensure process compatibility.)
- Provide your clients with the information contained on their Schedule K-1 (565) before April 15, or the applicable file date. **Note:** The information is not required to be on a Schedule K-1 (565), it may be in text format.

Schedules K-1 (565) for multiple partnerships can be downloaded and sent to the FTB on the same CD or diskette. It is not necessary to provide a separate CD or diskette for each individual partnership. Use form FTB 3604, Transmittal of Paperless K-1 (565) Information On Magnetic Media to provide the name, FEIN, and number of Schedules K-1 that are included for each partnership on the CD or diskette.

K-1 (565) TestWare

The FTB provides K-1 (565) TestWare as a tool to help you accurately prepare paperless Schedules K-1 (565). The program validates the K-1 (565) files, which enables you to send error-free files when you submit your clients' Schedules K-1 (565) via CD or diskette. The TestWare can also expand your files from a delimited format into the format that is required for the FTB's mainframe processing. You may download a copy of the K-1 (565) TestWare from our Website or you may request a diskette by calling the e-file Help Desk at (916) 845-0353.

Substitute Schedules K-1 (565) Filing Requirements

As a professional preparer, if you choose to develop your clients' Schedules K-1 (565) (magnetic media or paper format), you must follow the same substitute forms review and approval requirements used by tax software developers, transfer agents, and others.

You must complete and return to FTB form FTB 1096, Agreement to Comply with FTB Pub. 1098. FTB Pub. 1098, Guidelines for the Development and Use of Substitute, Scannable, and Reproduced Tax Forms, includes the information you need to develop FTB-approved forms. To get

a copy of form FTB 1096, call (916) 845-3553 or (916) 845-3194. FTB Pub. 1098 is available on the our Website.

Note: The paper format of Schedule K-1 (565) may be either a one-sided or two-sided format. The one-sided format requires you to print only those tax data lines that are applicable to the partner. The two-sided format requires you to print all data lines. Both formats require approval from the FTB.

Common Trusts and Investment Clubs

Common trust funds and investment clubs use Form 565, Partnership Return of Income, to report their filing information. To help ensure accurate processing, common trust funds are required to use the principal business activity (PBA) code 525920. Investment clubs are required to use PBA code 523910. For further information, see the instructions for federal Form 1065, U.S. Partnership Return of Income.

FTB's Tax Practitioner Services

The Practitioner Hotline is dedicated to helping CPAs, enrolled agents, attorneys, and other tax practitioners with questions on tax law, forms, California reporting requirements, and account resolution matters.

The Practitioner's Support Team is staffed year round.

- January 2 through February 28, Monday through Friday 8:00 a.m. to 6:00 p.m., and state holidays 8:00 a.m. to 5:00 p.m.
- March 1 through April 16, Monday through Friday 7:00 a.m. to 8:00 p.m., and Saturdays and state holidays 8:00 a.m. to 5:00 p.m.
- After April 16, service is available Monday through Friday, 8:00 a.m. to 5:00 p.m.

The telephone number is (916) 845-7057. If you call, be ready to provide client information such as social security number, latest notice received, or facts relating to the inquiry. Customer Service Representatives can respond to questions on both personal income tax and bank and corporation tax law.

The Electronic Correspondence staff receives incoming correspondence 24 hours a day, seven days a week. The FAX number is (916) 845-6377. When you fax your transmission, be sure your cover sheet includes your business letterhead, FAX number, and daytime telephone number. In addition, please submit a copy of your Power of Attorney form FTB 3520, if not already on file. Generally, your correspondence will be answered in less than 10 working days. To help ensure a quick response, it is recommended that you keep your fax machine turned on at all times.

2000 Scannable Forms 540 and 540A Assembly Guidelines

Staple entire return together in upper left-hand corner.

California Resident Income Tax Return 2000

540

FEDERAL RETURN ATTACHMENT REQUIRED:
☐ YES ☒ NO

DO NOT ATTACH LABEL 504-84-1236 TURT 504-13-1226 00
 FRANKLINNN D TURTLEEEEEEEEEEGG (DECD 07-01-00)
 ALICEEEEEEE P TURTLEEEEEEEEEEGG (DECD 12-01-00)
 ADDITIONAL ADDRESS LINE HEREHEE EXECUTOR HEREHEE
 4915 MAPLE DRIVEWAXYYYYYYY APTGG 12345
 DURANTTTTTTTTTT CA 74136-2222

Step 1
 Name and Address

FOR COMPUTERIZED USE ONLY

01	2	37	23878	56	5	APE	0
06	0	38	750	57	6	3800	0
09	0	39	468	58	7	3803	1
11	0	41	0	59	8	SCHG1	1
12	2600	42	0	60	9	5870A	1
14	24601	43	0	61	10	5805 5805P	1
16	2500	44	0	62	11	111111111	1
17	317896	45	0	63	12		
18	5622	47	0	64	78		
20	25534	48	0	65	0		
23	479	49	0	66	22738		
28	173100	50	22660	68	899		
29	214200	51	0				
30	1809	52	1				
31	1	53	2				
35	0	54	3				
36	1	55	4				

Step 2
 Filing Status
 1 ☐ Single 2 ☒ Married filing joint return (even if only one spouse had income)
 3 ☐ Married filing separate return. Spouse's social security number above and full name here
 4 ☐ Head of household (with qualifying person). STOP. See instructions.
 5 ☐ Qualifying widow(er) with dependent child. Enter year spouse died

Step 3
 Exemptions
 6 If someone can claim you (or your spouse, if married) as a dependent on his or her tax return, even if he or she chooses not to, check here ☐ 6
 7 Personal: If you filed in 1, 3, or 4 above, enter 1 in the box. If you filed in 2 or 5, enter 2 in the box. If you checked the box on line 6, see instructions. ☐ 7 x \$75 = \$ 150.
 8 Blind: If you (or if married, your spouse) are visually impaired, enter 1; if both, enter 2. ☐ 8 x \$75 = \$ 150.
 9 Senior: If you (or if married, your spouse) are 65 or older, enter 1; if both, enter 2. ☐ 9 x \$75 = \$ 300.
 10 Add line 7 through line 9. This is your total exemption credit before the dependent exemption credit. ☐ 10 Total \$ 300.

Step 4
 Taxable Income
 11 State wages from your Form(s) W-2, box 17. ☐ 11 x \$235 = \$ 470.
 12 Enter adjusted gross income from your 2000 federal return. ☐ 12 2,600.
 13 Total California income adjustments. See instructions for line 13a through line 13f. ☐ 13 339,997.
 14 California adjustments -- subtractions. Enter the amount from Schedule CA (see line 33, column B). ☐ 14 24,601.
 15 Subtract line 14 from line 13. If less than zero, enter the result in parentheses. See instructions. ☐ 15 315,396.
 16 California adjustments -- additions. Enter the amount from Schedule CA (see line 33, column C). ☐ 16 2,500.
 17 California adjusted gross income. Combine line 15 and line 16. ☐ 17 317,896.
 18 Enter the larger of your CA standard deduction OR your CA itemized deductions. ☐ 18 5,622.
 19 Subtract line 18 from line 17. This is your taxable income. If less than zero, enter -0-. ☐ 19 312,274.
 20 Tax. Check if from: ☐ Tax Table ☐ Tax Rate Schedule ☐ FTD 5000 or ☒ FTD 5009. ☐ 20 25,534.
 21 Exemption credits. If line 13 is over \$124,246, see instructions. Otherwise, add line 10 and line 11. ☐ 21 26.
 22 Subtract line 21 from line 20. If less than zero, enter -0-. ☐ 22 25,508.
 23 Tax. Check if from: ☒ Schedule G-1 and ☐ form FTD 5070A. ☐ 23 479.
 24 Add line 22 and line 23. Continue to Side 2. ☐ 24 25,987.

For Privacy Act Notice, get form FTB 1131. 54000106613 Form 540 C1 2000 Side 1

Staple check or money order here.

Staple Form(s) W-2, W-2G, 1099-R and other Forms 1099 showing California tax withheld here.

"SCANBAND" Must contain tax data.

Staple entire return together in upper left-hand corner.

California Resident Income Tax Return 2000

540A

DO NOT ATTACH LABEL 511-84-1336 BEAR ** 511-84-1226 00
 BERNARDSTEI D BEARVILLE
 BEATRICE B BEARVILLE

Step 1
 Name and Address
 4915 FIRST SHORT FORM ROAD APT 12345
 DURANTTTTTTTTTT CA 74136-3333

Step 2
 Filing Status
 1 ☐ Single 2 ☒ Married filing joint return (even if only one spouse had income)
 3 ☐ Married filing separate return. Enter spouse's social security number above and full name here
 4 ☐ Head of household (with qualifying person). STOP. See instructions.
 5 ☐ Qualifying widow(er) with dependent child. Enter year spouse died

Step 3
 Exemptions
 6 If your parent, (or someone else) can claim you (or your spouse, if married) as a dependent on his or her tax return, even if he or she chooses not to, check here ☐ 6
 7 Personal: If you filed in 1, 3, or 4 above, enter 1 in the box. If you filed in 2 or 5, enter 2 in the box. If you checked the box on line 6, see instructions. ☐ 7 x \$75 = \$ 150.
 8 Blind: If you (or if married, your spouse) are visually impaired, enter 1; if both, enter 2. ☐ 8 x \$75 = \$ 150.
 9 Senior: If you (or if married, your spouse) are 65 or older, enter 1; if both, enter 2. ☐ 9 x \$75 = \$ 150.
 10 Add line 7 through line 9. This is your total exemption credit before the dependent exemption credit. ☐ 10 Total \$ 150.

Step 4
 Taxable Income
 11 State wages from your Form(s) W-2, box 17. ☐ 11 x \$235 = \$ 705.
 12 Enter federal adjusted gross income from your federal return. ☐ 12 52,600.
 13 Total California income adjustments. See instructions for line 13a through line 13f. ☐ 13 -1,581.
 14 State income tax refund. ☐ 14
 15 Unemployment compensation. ☐ 15
 16 Social security or railroad retirement. ☐ 16
 17 California non-taxable income. ☐ 17
 18 California RRA of '98. ☐ 18
 19 California pension. ☐ 19
 20 Total California adjustments. ☐ 20 130.
 21 Subtract line 20 from line 13. This is your taxable income. See instructions. ☐ 21 -1,581.
 22 Enter the larger of your CA standard deduction OR your California itemized deduction. ☐ 22 27,045.
 23 Subtract line 22 from line 21. This is your taxable income. If less than zero, enter -0-. ☐ 23 0.

FOR COMPUTERIZED USE ONLY

01	2	12	52600	33	750	56	5	P	12345678
06	0	13	0	34	0	57	6		
09	0	14	-1581	35	750	58	7		
11	3	15	27045	36	0	59	8		
5805	0	19	120	37	78	60	9		
23	0	38	672	61	10				
25	750	39	0	62	11				
26	0	40	0	63	12				
27	0	51	0						
28	0	52	1						
29	0	53	2						
30	0	54	3						
31	0	55	4						

For Privacy Act Notice, get form FTB 1131. 540A00106613 Form 540A C1 2000 Side 1

Staple check or money order here.

Staple Form(s) W-2, W-2G, 1099-R and other Forms 1099 showing California tax withheld here.

"SCANBAND" Must contain tax data.

Tax Practitioner Tips for Computer-Preparing, Assembling, and Mailing Scannable Forms 540 and 540A

Form	Scannable Form 540	Scannable Form 540A
Monetary Amounts (Taxpayer's Tax Data)	Monetary amounts must print in the scanband and must be whole dollars without decimal points or other punctuation. Monetary amounts in the conventional part of the form must include decimal points or a vertical rule (penny line). Note: Most software is programmed to print whole dollars only with a decimal point.	Same as scannable Form 540.
Additional Credit Line 28 and Line 29	Credit acronym, code number, and amount will print on the applicable lines in the conventional part of the form. See example on page 4.	Additional credits may not be claimed on Form 540A.
Direct Deposit of Refund (DDR)	DDR consists of three fields: 1) DDR routing number (Must be 9 positions. The first two positions must be 01 through 12 or 21 through 32); 2) DDR account number; and 3) DDR account type. You must complete all three fields when selecting the DDR option. Otherwise, leave all three fields blank.	Same as scannable Form 540.
FTB-Supplied Label*	Do not apply the FTB-supplied label to the tax return. FTB's processing systems will capture the information that the software prints on the tax return.	Same as scannable Form 540.
Making Corrections*	Do not make corrections on the tax return. Do not modify the name, address, or tax data information. If there is an error, print a new tax return.	Same as scannable Form 540.
Submit Original Tax Returns*	Submit original (hardcopy) tax returns. Do not submit a photocopy. Tax returns should be single-sided, not two-sided. Tax returns prepared with overlays are considered originals.	Same as scannable Form 540.
Attaching Federal Forms and California Supporting Forms	Form 540 may require attachments. Federal forms and California supporting forms may be stapled to the back of Form 540, Side 2.	Attach copy of federal Form 2441 or federal Schedule 2 (1040A) if claiming the CA Child and Dependent Care Credit. Otherwise, do not attach federal tax return.
Attaching Wage Statements	Staple "state" copy of Forms W-2, W-2G, 1099-R, and other Forms 1099 showing California tax withheld to Side 1 in the area below the words "Step 4, Taxable Income."	Same as scannable Form 540.
Attaching Check or Money Order	Staple check or money order to Side 1 in the area below the words "Step 3, Exemptions." (Place check or money order on top of W-2 Form(s).) Do not staple in scanband area.	Same as scannable Form 540.
Assembling Tax Return	Staple Side 1 to Side 2 and any attachments in the upper left-hand corner.	Same as scannable Form 540.
Where to Mail the Tax Return	REFUND OR NO AMOUNT DUE: FRANCHISE TAX BOARD PO BOX 942840 SACRAMENTO CA 94240-0009 AMOUNT YOU OWE: FRANCHISE TAX BOARD PO BOX 942867 SACRAMENTO CA 94267-0001	Same as scannable Form 540.

*Apply these rules to all scannable vouchers (Forms 540-ES, 541-ES, FTB 3519, FTB 3563, and FTB 3582). Mail to the address shown on the form.

Tax Practitioner Tips for Computer-Preparing, Assembling, and Mailing Forms 540 2EZ, 540NR, and 540X

Form	Form 540 2EZ	Form 540NR	Form 540X
Monetary Amounts (Taxpayer's Tax Data)	Monetary amounts may include decimal points or a vertical rule (penny line).	Same as Form 540 2EZ.	Same as Form 540 2EZ.
Additional Credits	Additional credits may not be claimed.	Credit acronym, code number, and amount will print on the applicable line(s) of the form.	Not applicable.
Direct Deposit of Refund (DDR)	DDR consists of three fields: 1) DDR routing number (Must be 9 positions. The first two positions must be 01 through 12 or 21 through 32); 2) DDR account number; and 3) DDR account type. You must complete all three fields when selecting the DDR option. Otherwise, leave all three fields blank.	Same as Form 540 2EZ.	Not applicable.
FTB-Supplied Label	You may apply the FTB-supplied label to the tax return. However, it is not necessary because your software product will print this information.	Same as Form 540 2EZ.	Same as Form 540 2EZ.
Making Corrections	If the name and address that prints on the tax return is incorrect, draw a line in ink (black or blue) across the incorrect information and clearly write the correct information.	Same as Form 540 2EZ.	Same as Form 540 2EZ.
Submit Original Tax Returns	Submit original or photocopied tax returns. Note: Signature of the taxpayer (and taxpayer's spouse, if any) must be original.	Same as Form 540 2EZ.	Same as Form 540 2EZ.
Attaching Federal Forms and California Supporting Forms	Never attach federal tax return.	Always attach federal tax return.	Attach all supporting forms and schedules for items changed. Include federal forms and schedules if you made a change to your federal return. Include name and SSN for taxpayer (and taxpayer's spouse, if any,) on all attachments. Include complete copies of the Federal Audit Report(s) if you are reporting changes made by the IRS.
Where to Mail the Tax Return	REFUND OR NO AMOUNT DUE: FRANCHISE TAX BOARD PO BOX 942840 SACRAMENTO CA 94240-0000 AMOUNT YOU OWE: FRANCHISE TAX BOARD PO BOX 942867 SACRAMENTO CA 94267-0001	Same as Form 540 2EZ.	Same as Form 540 2EZ.